

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL ONE)

Docket No. RM2023-4

**REPLY COMMENTS OF THE UNITED STATES POSTAL SERVICE
REGARDING PROPOSAL ONE**
(March 15, 2023)

The issue in Proposal One is making workshare passthroughs for flat-shaped Marketing Mail pieces comply with the Commission's regulations, and the Postal Service has shown it can set rational rates that achieve compliant passthrough percentages.

Regarding the comments in opposition, Proposal One does not, and is not intended to, discuss cost avoidance estimation. The Postal Service acknowledges that under the proposed price structure, dropship discounts for DNDC, DSCF, and DDU entry would not vary, even as the weight of the pieces varies from 4 to 16 ounces, but the Postal Service believes that the benefits of complying with regulatory passthrough requirements outweigh any possible volume changes that may result from the proposal.

Any change to rate structures may shift pricing signals for individual mailers, but the Postal Service's primary consideration in developing Proposal One was minimizing the overall effect on flat-shaped mailers. In particular, the Postal Service evaluated the proposed draft Marketing Mail prices using the average weight of flat-shaped pieces at various presort levels and dropship entry points. In FY2022, approximately 80 percent of flat-shaped Marketing Mail weighed less than 4 oz. and,

therefore, already has a piece-based, not weight-based, dropship discount structure.

Further, it is, as the commenters point out, the heavier weight pieces that are most affected by the elimination of the weight-based dropship discounts above 4 ounces, but pieces in the top half of the weight range accounted for less than 3 percent of volume in FY 2022, and decreases in dropship discounts for heavier weight pieces may be offset by increases in discounts in lighter weight pieces.

Finally, none of the commenters has proposed a viable solution to the dropship workshare compliance issue, while Proposal One has clearly addressed this issue. The Postal Service therefore requests that the Commission approve Proposal One effective as of the date the Commission approves the next Market Dominant rate case, which will put in place the necessary new pricing structure.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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